



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.07

Required Report - public distribution

Date: 9/25/2003

GAIN Report Number: SP3029

Spain

Canned Deciduous Fruit

Annual

2003

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Report Highlights:

Spanish peach and pear orchards largely escaped the effects of the August heat wave, which decimated the crops elsewhere in Europe. With the combination of abundant fruit for processing and reduced competition from other EU countries, Spanish canners are looking for record exports – and profits – in MY 2003/04

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Madrid [SP1]
[SP]

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Executive Summary

The peach and pear crops were in good shape – and well advanced -- when the heat wave struck Spain in August. Most orchards have some irrigation and should produce good crops.

Canned Peaches

The Spanish Ministry of Agriculture has forecast the MY2003/04 peach crop at 1,329,000 tons, up six percent from the previous year. This abundant crop should make more fruit available to canners, whose output of canned peaches should be significantly higher than last year.

Spanish canners say that the 2003/04 marketing year could be a replay of last year's scenario. Spain is enjoying an up-tick in production, while its main European competitor, Greece is having a very poor crop. Indeed, some Spanish sources say that Greece could be a net importer of peaches this marketing year. Perhaps the one dark spot in the picture is the U.S. market, where shipments have dropped due to the strength of the euro.

Farmers received about 320 euros per ton for peaches delivered to canneries. EU subsidies for canned peaches total 47.70 euros per ton. Since Spanish canned peaches are subsidized by EU aids, U.S. exporters have limited potential in this market.

Canned peach exports should increase significantly in MY2003/04, due to reduced competition, especially in the EU. Canned peach imports are minor when compared to exports and should drop due to shorter crops in competitor countries, such as Italy and Greece.

Canned Pears

The total pear crop for MY 2003/04 is expected to be about 640,000 tons, or some 6 percent higher than in the previous year. Output of the *Williams* variety - the main one used for processing- is forecast at 44.224 tons, or 5 percent higher than last year. Output of *Williams* has risen dramatically during the last five years. Canned pear exports are expected to increase in MY 2003/04 due to higher domestic production and to lower crops in other EU countries.

Canned pears are even more heavily subsidized than canned peaches. Farmers receive about 190 euros per ton of pears delivered to canneries, while EU subsidies for canned pears total 158 euros per ton.

Spain's exports of canned pears fell by 25 percent in MY 2002/03, due to a large production in other EU countries. Shipments to the United States dropped off sharply, to 377 tons.

Note: Current exchange rate: 1 euro = \$0.92

Production

Production-Canned Peaches

PSD Table

Country Commodity	Spain Canned Peaches	(MT)(MT, Net Weight)					
	2001 USDA Official [Old]	Revised Post Estimate [New] 06/2001	2002 USDA Official [Old]	Estimate Post Estimate [New] 06/2002	2003 USDA Official [Old]	Forecast Post Estimate [New] 06/2003	UOM
Market Year Begin							MM/YYYY Y
Deliv. To Processors	113000	113000	151729	136657	140000	155000	(MT)
Beginning Stocks	22000	22000	3833	3833	3735	1000	(MT, Net Weight)
Production	125000	125000	166902	150322	154000	170500	(MT, Net Weight)
Imports	3361	3361	4000	4979	4000	4000	(MT, Net Weight)
TOTAL SUPPLY	150361	150361	174735	159134	161735	175500	(MT, Net Weight)
Exports	75528	75528	100000	87703	87000	103500	(MT, Net Weight)
Domestic Consumption	71000	71000	71000	70431	71000	71000	(MT, Net Weight)
Ending Stocks	3833	3833	3735	1000	3735	1000	(MT, Net Weight)
TOTAL DISTRIBUTION	150361	150361	174735	159134	161735	175500	(MT, Net Weight)

Spain's MY2003/04 canned peach production is expected to reach a record 170,500 tons, which will require an input of about 155,000 tons of fresh clingstone peaches. Poor crops in competitor countries have pumped up prices, which will pull more peaches to processing

Production Canned Pears

PSD Table

Country	Spain						
Commodity	Canned Pears						(MT)(MT, Net Weight)
	2001 USDA Official [Old]	Revised Post Estimate [New] 06/2001	2002 USDA Official [Old]	Estimate Post Estimate [New] 06/2002	2003 USDA Official [Old]	Forecast Post Estimate [New] 06/2003	UOM
Market Year Begin							MM/YYYY Y
Deliv. To Processors	44700	44700	42451	37731	40000	43000	(MT)
Beginning Stocks	3000	3000	12600	12600	12595	13481	(MT, Net Weight)
Production	48300	48300	45545	40480	43200	46400	(MT, Net Weight)
Imports	454	454	450	900	450	450	(MT, Net Weight)
TOTAL SUPPLY	51754	51754	58595	53980	56245	60331	(MT, Net Weight)
Exports	20782	20782	22000	14499	21000	28200	(MT, Net Weight)
Domestic Consumption	18372	18372	24000	26000	24000	25000	(MT, Net Weight)
Ending Stocks	12600	12600	12595	13481	11245	7131	(MT, Net Weight)
TOTAL DISTRIBUTION	51754	51754	58595	53980	56245	60331	(MT, Net Weight)

The total pear crop is expected to rise to 640,000 tons in MY2003/04, compared to 603,300 tons in the previous season. Production of the most popular canning variety, *Williams*, should expand another 5 percent. During the last five years, supplies of *Williams* have increased over ten-fold -- from 4,190 tons in 1999 to about 44,224 in 2003.

The amount of pears delivered to processors totaled 37,731 tons in 2002/03, which exceeded Spain's quota by 2,523 tons. Consequently, the direct payment was reduced by 2.24 percent to 158.08 euros per ton. For MY 2003/04, farmers will receive a price of about 190 euros/ton for pears delivered to processors. Deliveries to processors should rise given the shortage of supplies in other EU countries. The Spanish canning industry is expecting very profitable prices for MY 2003/04.

Consumption

Consumption Canned Peaches

Higher prices for canned peaches should keep consumption flat in MY 2003/04. Canned peaches are mainly consumed in the food service sector during the winter. The varieties of peaches used for canned production are also sold for fresh consumption.

Consumption Canned Pears

According to trade sources, Spanish consumption of canned pears has been growing due to the popularity of fruit cocktail. In addition, the *Williams* variety has been used this summer for fresh consumption and for export due to the shorter crop of pears in other EU countries.

Trade

Trade Canned Peaches

Canned peach exports in MY2002/03 rose by 16 percent due to lower availability in Greece. For MY 2003/04, exports should set a record due to the dramatic drop in production in other EU countries. Exports to the United States may rise due to lower availability from competitors.

Import Trade Matrix

Country	Spain		
Commodity	Canned Peaches		
Time Period	MY/Jun/May	Units:	MT
Imports for:	2001		2002
U.S.	0	U.S.	
Others		Others	
Italy	439		2069
Greece	479		1029
Portugal	538		770
South Africa	484		504
Germany	481		353
France	878		132
Total for Others	3299		4857
Others not Listed	62		122
Grand Total	3361		4979

Export Trade

Matrix

Country Spain
Commodity Canned Peaches

Time Period	MY/Jun/May	Units:	MT
Exports for:	2001		2002
U.S.	8779	U.S.	4223
Others		Others	
France	11160		16108
Germany	9513		14530
Portugal	9738		9917
Mexico	9054		7940
Italy	410		4443
UK	6158		3917
Saudi Arabia	75		2746
Korea, South	1459		2561
Total for Others	47567		62162
Others not Listed	19182		21318
Grand Total	75528		87703

Trade Canned Pears

During MY 2002/03, Spanish exports of canned pears declined due to strong competition from other EU countries. Shipments to the United States fell to 377 tons in MY 2002/03 (from 2,379 in MY 2001/02). The market should be reversed in MY 2003/04, as Spain fills the shortages caused by lower production in other EU countries. Shipments to the U.S. may expand for the same reason. Spain's total canned pear imports doubled in MY 2002/03, to about 900 tons. Imports from China reached to 218 tons.

Import Trade

Matrix

Country Spain
Commodity Canned Pears

Time Period	My/Jun/M	Units:	Metric tons
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Germany	286		451
China			218
Netherlands			30
Belgium			18
Total for Others	286		717
Others not Listed	168		183
Grand Total	454		900

Export Trade Matrix

Country	Spain	
Commodity	Canned Pears	
Time Period	MY/Jun/M	Units: Metric tons
Exports for:	2001	2002
U.S.	2379	U.S. 377
Others		Others
Germany	4683	4185
France	4627	3696
Italy	696	1068
UK	1891	717
Netherlands	902	549
Austria	495	604
Denmark	451	563
Total for Others	13745	11382
Others not Listed	4658	2740
Grand Total	20782	14499

Stocks

Stocks-Canned Peaches

Trade sources say that stocks of canned peaches declined to about 1,000 tons at the end of MY 2002/03. With ready demand expected in MY 2003/04, ending stocks should remain at low levels.

Stocks-Canned Pears

Trade sources say that MY 2002/03 ending stocks of canned pears rose due to lower exports. With larger exports expected in MY 2003/04, stocks should drop sharply by the end of the year.

Policy

Policy Canned Peaches

On August 30, 2003, the EU Commission published Regulation 1535/03, which provides detailed rules for applying the aid scheme for products processed from fruits and vegetables. The EU also set Spain's processing thresholds for peaches at 180,794 tons.

Farmers will receive a price of about 320 euros/ton for peaches delivered to processors in MY 2003/04, up 50 percent from the previous year. In addition, the EU Regulation set the amount of aid paid for peaches for processing at 47.70 euros /ton. Farmers' organizations now receive the aid directly, which amounts to a bonus of over 15 percent of the cost processors pay for the fruit. If the amount of peaches delivered to processors is over the

Spanish threshold and total EU production is over the EU quota, the amount of aid is reduced. No penalties are expected for the next few years.

Policy Canned Pears

On August 30, 2003, the EU Commission published the regulation 1535/03, which provides detailed rules for applying the aid scheme for products processed from fruits and vegetables. The EU also set Spain's processing threshold for pears at 35,199 tons.

In MY 2002/03, the amount of pears delivered to processors totaled 37,731 tons, which was 2,523 tons over the EU production quota established for Spain. Consequently, the direct payment for MY 2003/04 was reduced by 2.24 percent to 158.08 euros per ton. In addition, farmers will receive a price of about 190 euros/ton of pears delivered to processors in MY 2003/04. The subsidy thus represents a bonus of 83 percent of the price paid by processors.

In MY 2003/04, the quantity of pears delivered to processors will likely again exceed Spain's EU threshold. However, with the expected decline in the total quantity of pears processed elsewhere in the EU during MY 2003/04, Spanish producers do not expect a reduction in the subsidy during MY 2004/05.

Marketing

Marketing Canned Peaches

No opportunities for the U.S. peaches in the Spanish market due to both EU subsidies and to the large production.

Marketing Canned Pears

Marketing-Canned Pears

Given the high subsidies received by the Spanish canning industry, U.S. exporters have a very limited potential in this market.